



**Board of Selectmen &  
Advisory Committee Leadership  
2020 Annual Town Meeting  
Financial Discussion**

June 10, 2020

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# Financial Update Overview

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- **Town Financial Policy**
- **FY21 Budget Process**
- **FY21 Financial Management Plan**
- **2020 Annual Town Meeting Capital-Related Warrant Articles utilizing Fund Balance**
- **Conclusion**

# Financial Policy (Approved June 19, 2018)

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- **Purpose: To manage expenditures in a manner that:**
  - Ensures consistent service levels
  - Ensures economic diversity in Hingham population
  - Provides for infrastructure acquisition and maintenance
  - Preserves the Town's AAA credit rating
- **Tool for the Board of Selectmen, Advisory Committee, and Town Meeting to use in analyzing, recommending, and approving budgets. Reviewed by the Advisory Committee in consultation with the Board of Selectmen and the School Committee every three years.**
- **Outlines a process for forecasting available revenue.**

# Financial Policy

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- **Fund Balance (also known as Available Reserves) is the Town's "savings" account. Under governmental accounting standards, funds making up Fund Balance are classified as:**
  1. **Non-spendable;**
  2. **Restricted;**
  3. **Committed;**
  4. **Assigned; or**
  5. **Unassigned.**
- **Policy states that Unassigned Fund Balance should be carried in an amount equal to no less than 16% and as high as 20% of the Town's Total Annual Expenditures (TAE).**

# Financial Policy

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- **Unassigned Fund Balance in excess of 20% if sustainable could be applied to:**
  1. **Unfunded long-term liabilities;**
  2. **Long-term and non-recurring capital expenditures;**
  3. **Retirement of debt; or**
  4. **Targeted tax relief.**
- **Unassigned Fund Balance as of June 30, 2019 (the certified Fund Balance of the end of the most recently completed fiscal year) is approximately \$30,515,193, which is 26.58% of Total Annual Expenditures.**
- **The amount of Unassigned Fund Balance in excess of the highwater mark of the Financial Policy (20% of TAE) is approximately \$7,558,058.**

# FY21 Budget Process

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- **Budget message was prepared by the Town Administrator and circulated to Municipal Departments in October 2019.**
- **Message based on preliminary revenue assessments – level services.**
- **In December 2019, Board of Selectmen began hearings on departmental budget requests and advanced budgets to the Advisory Committee for consideration.**
- **Advisory Committee liaisons worked with department heads to understand service levels and expenditures.**
- **School Department presented its budget to the Board of Selectmen and Advisory Committee on February 11, 2020.**

# FY21 Budget Process

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- **Forecast Group – consisting of the Chair of the Board of Selectmen, Town Administrator, Assistant Town Administrator, Town Accountant, Chair and Vice Chair of the Advisory Committee, Chair and Vice Chair of the School Committee, Superintendent of Schools, and the Director of Business and Support Services for the Schools – met periodically during the budget process to review and refine revenue projections.**
- **Board of Selectmen and Advisory Committee agreed on a balanced budget (as required by law) as of March 12, 2020.**

# FY21 Budget Process

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- On March 10, 2020, Governor Baker declared a State of Emergency in Massachusetts due to COVID-19. On March 13, 2020, the President of the United States declared a National Emergency. That same day, the Town declared a local State of Emergency and closed Town Hall offices and Hingham schools.
- The Town's financial team began to monitor revenue and expenditures and update the Forecast Group.
- Board of Selectmen, Advisory Committee, and School Committee as well as Municipal and School leadership teams immediately began assessing and controlling FY20 expenditures and looking at anticipated revenue shortfalls likely to impact the FY21 budget.



# FY21 Financial Management Plan

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- **State law requires that municipalities approve a balanced budget. With certain limited exceptions, municipalities cannot deficit spend.**
- **Revenue assumptions underpinning the FY21 budget needed to be adjusted downward to account for the severe economic disruption caused by the global COVID-19 pandemic.**
- **Town Meeting provides the Town with a “not to exceed” appropriation.**

# FY21 Financial Management Plan

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- **The FY21 Financial Management Plan proposes to use a prudent level of Unassigned Fund Balance to close the anticipated budget gap and offset any incremental revenue shortfalls that may arise in FY21.**
- **Goals of the Plan:**
  - **Minimize disruption to Municipal and School operations and services;**
  - **Take account of COVID-19-related expenditures; and**
  - **Preserve sound fiscal stewardship of the Town's resources (AAA credit rating).**

# FY21 Financial Management Plan

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- **Plan in Brief:**
  - A. **Fiscally conservative management of remaining FY20 appropriation with the goal of creating “turnbacks” of cash that could cushion FY21 shortfalls.**
  - B. **Use approximately \$3.3 million of Unassigned Fund Balance for capital expenditures and other non-recurring, long-term liabilities that would otherwise be funded with operating revenue anticipated in FY21.**
  - C. **Institute a comprehensive, data-driven plan to methodically review and evaluate revenues and expenditures during FY21.**
- **Tier 1 expenditure controls limit hiring and expenditures for capital and discretionary operating costs to essential only.**
- **Plan contemplates further expenditure constraints and reductions if revenue shortfalls are projected to exceed \$500,000.**

# FY21 Financial Management Plan

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- **Budget reductions in general will be borne 40% by the Municipal budgets and 60% by the School budget in keeping with the proportionate share of operating budget allocations.**
- **Tier 1 Action Plans will be reviewed by the Advisory Committee on a quarterly basis.**
- **The Forecast Group will meet monthly to track revenue and expenditure metrics and will keep respective boards/committees updated on that analysis.**
- **If necessary, the Advisory Committee may recommend the implementation of Tier 2 Action Plans, or in extraordinary circumstances, may call for a Special Town Meeting.**

# Capital-Related Warrant Articles Utilizing Fund Balance

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- In addition to using \$3.3 million of Unassigned Fund Balance to balance the FY21 operating budget, certain capital-related warrant articles anticipate the use of Fund Balance, including:
  - Article 12: Feasibility money for the design of a new Public Safety Facility to be located on Route 3A (\$250,000) – building committee would be established by Article 13
  - Article 14: Feasibility, design, and engineering money for renovation and expansion of the Senior Center at Town Hall (\$525,000) – building committee would be established by Article 15
  - Article 20: Cost of living adjustment for Town retirees (\$93,600)
  - Article 24: Funds for an independent review of Municipal and School facilities with the goal of promoting maximum utilization of existing buildings and to serve as a tool for future capital planning (\$300,000)

# Public Safety Facility and Senior Center Projects



## Project Concept:

- Purchase property located at 335 Lincoln Street for use as the site of new joint Public Safety Facility to include Police Headquarters and North Fire Station
- With Police departure from Town Hall complex, expand the Senior Center to existing first floor Police space at Town Hall, at least tripling the size of the Senior Center

	June 2020	Fall 2020	Spring 2021	Fall 2022	Fall 2023
<b>Public Safety Complex</b>	ATM - feasibility and conceptual design	STM - full design and construction	Begin construction	Move to new building	
<b>Senior Center</b>	ATM - full design documents	STM - construction		Begin construction	Expand to new space

# Public Safety Facility and Senior Center Projects

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- Provides much-needed modern and expanded space to accommodate North Fire Station services, equipment, and staff – including separate facilities for male and female firefighters
- Provides much-needed modern and expanded space to accommodate Police services, equipment, and staff
- Maintains Senior Center central location on Town Hall campus while avoiding the additional costs of building a new, standalone facility
- Provides long-term ability for Town to serve growing senior population

# Capital-Related Warrant Articles Utilizing Fund Balance

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- It is important for the Town to continue to plan for the Town's future.
- Expenditure of feasibility funds does not commit the Town to undertake a particular project.
- Total expenditures from Fund Balance for capital-related warrant articles is \$1,168,600 or 3.83% of Unassigned Fund Balance.



# Capital-Related Warrant Articles Utilizing Fund Balance

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- **Warrant article expenditures (\$1,168,600), plus Fund Balance allocations to the FY21 operating budget (\$3,330,237), plus use of FEMA reimbursement funds from 2015 storms for targeted capital purchases (\$284,500) result in the use of \$4,783,337 of Unassigned Fund Balance.**
- **Factoring in the use of Fund Balance in FY21 (and without accounting for FY20 turnbacks or reimbursements of up to \$1.7 million from the Water Enterprise Fund expected early in FY21) results in a remaining Unassigned Fund Balance (as certified as of June 30, 2019) of approximately \$25,731,856.**

# Conclusion

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- **The Town, including municipal and school leadership teams, responded quickly and thoughtfully to the unprecedented financial concerns brought about by the COVID-19 crisis and the subsequent economic downturn.**
- **The FY21 Financial Management Plan puts strong financial controls in place so that the Town will be able to manage the appropriation by Town Meeting in a manner that both protects the long-term financial position of the Town and minimizes premature budget reductions.**
- **The Plan is the result of collaboration by the Board of Selectmen, the Advisory Committee, and the School Committee and relies on the continued partnership among these leadership groups.**